

KOFIC Location Incentive for Foreign Audio-visual Works – Guidelines 2020 –

Korean Film Council

1. Program Summary

A. Purpose

- The money provided by this incentive program is in its entirety drawn from the Tourism Promotion and Development Fund and shall be used to support part of the expenses spent in Korea for producing foreign audio-visual works, for the purpose of tourism promotion, job creation and other economic benefits.
- It is also aimed at encouraging the hosting of location shooting and post-production of foreign audio-visual works and thereby enhancing the production capacities of the Korean film industry and creating an international production network around it.

B. Eligible Works

- Feature films, television series and documentaries developed and produced by a foreign production company, in which the allocation of foreign capital in the production cost exceeds 80%

Feature film	a consecutive set of images or video on film, disks, or digital medium, with minimum runtime of 70 minutes produced for public viewing at a cinema, screening facilities or similar places and/or through on-line streaming.
Television series	a series of dramas or shows produced for television broadcast or on-line streaming, with a pre-planned set number of episodes sharing a common theme or structure.
Documentary	a documentary produced for viewing at a cinema, screening facilities or similar places, television, or on-line.

*Animation, commercials, sports events, and educational programs are not eligible.

- Eligible works must satisfy the following requirements:

- Must receive approval from the Review Committee who will evaluate, among other things, the following three elements: (1) the degree to which the work promotes tourism ("tourism expansion"); (2) the degree to which the work contributes to the Korean film industry ("quantitative contribution"); and (3) the extent to which the foreign producer participates in the production of the work ("foreign engagement")
- Must spend no less than 50 million KRW (approx. 44,000 USD) in Korea for

production expenditure as recognized by the Korean Film Council ('Qualifying Production Expenditure' or QPE). For a television series, the production costs of all the episodes can be aggregated.

- Must shoot more than 3 days in Korea

C. Eligible Applicants

- A corporation organized and registered as a business in Korea meeting the following requirements:

- A film producer or a video producer recognized under the Film and Video Works Promotion Act or an independent broadcasting audio-visual work producer recognized under the Basic Law on Cultural Industry Promotion.
- Must be a company who has signed with a foreign production company on a production service agreement, and thereby provides services necessary for in-Korea production of a foreign audio-visual project and operates and manages the relevant financial account for the production. This company must not be a Korean subsidiary of or a Korean company invested by a foreign production company. Provided that, the aforesaid foreign production company shall not be a Korean company's overseas branch or owned more than 50% by a Korean company, its foreign subsidiary or a Korean person.

D. Amount of Grant

- Up to 25~30% of the total QPE in cash pending on the available amount in the program's total budget

30% rebate	Shoot more than 10 days in Korea Spend more than 2 billion KRW(2 million USD)
25% rebate	Shoot more than 3 days in Korea Spend between 50 million KRW(44,000 USD) and 2 billion KRW(1.75 million USD)

- QPE recognizes only those costs incurred from 3 months prior to the commencement of the principal photography in Korea to the date of the audited expenditure statement. QPE must be paid by the corporate credit card(s), bank transfer with electronic tax invoice. (All payment methods should be described in the application form.) However, the exception may apply if the cash expenditure is inevitable due to lack of transportation and/or communication facilities.

*Refer Exhibit A for the Standard of Qualifying Production Expenditure

- Post production costs or labor costs for actors/actresses and staffs must not exceed 50% of the total QPE, the cost for the main casts must not exceed 30% of total labor cost a production applies.
- The maximum grant per production is 0.7 billion KRW.
- Any production cost for which government and government-related funding has been made available shall not be recognized as QPE.

E. Application period : All year round

F. How To Apply : Log in to www.kobiz.or.kr to apply online

G. Program Budget

- Program's total budget for 2020 is 800 million KRW (approx. 700,000 USD).
- In case the production is set up in locations other than Seoul/Busan/Jeju in the first half of the year, the grant shall be determined within 10% of the total program budget.
- In case there is no applications for the program during the first half of the year, the production set up in any places inside of Korea can apply for the grant.
- The grants are taxable.

2. Grant Application and Payment Process

A. Application Process

- Overall process : (1) Provisional application; (2) Entering into an agreement; (3) Final application; and (4) Grants awarded
- Provisional application : The applicant submits the provisional application with supporting documents. The Review Committee evaluates the application and decides on the eligibility and the provisional grant amount, if any. Finally, KOFIC, after deliberating upon the Review Committee's evaluation results, makes the final decision and notifies the applicant.
- Entering into an agreement : KOFIC and the recipient enter into a grant agreement.
- Final application : The recipient submits the final application and the supporting documents such as the audited statement of expenditure, the certificate of subsidy settlement report, and the Review Committee makes the final decision on the eligibility and the final grant amount.
- Grants awarded : KOFIC deliberates on the final evaluation results of the Review Committee and makes the payment to the applicant.

B. Provisional Application

- The Applicant must submit the following documents no later than 30 days and no earlier than 90 days prior to the commencement of the principal photography in Korea

Online sub-mission	<ul style="list-style-type: none">① Provisional Application (KOFIC Form)<ul style="list-style-type: none">- Applicant information and foreign production company's information- Synopsis- List of locations for the shoots, languages, director, confirmed cast,
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	<p>production staff and all technical equipment providers</p> <p>② Overall Shooting Plan in Korea</p> <p>③ Copy of the applicant's business registration, copy of the corporate registry and certificate of registration either as a film producer, a video producer, or an independent broadcasting producer</p> <p>④ The foreign production company's business registration and corporate registry or its equivalent</p> <p>⑤ Summary of estimated budget and detailed budget outline of production costs to be spent in Korea (KOFIC-recommended form; fill out all major/minor categories)</p> <p>⑥ The final script and its Korean translation</p> <p>⑦ Director filmography along with data of box office releases and scores, theatrical revenue, film festival awards etc.</p> <p>⑧ Talents(leading and supporting actors) along with data of box office releases and scores, theatrical revenue, film festival awards etc.</p> <p>⑨ Producers, writers and cinematographer's filmography along with data of box office releases and scores, theatrical revenue, film festival awards etc.</p>
Offline sub-mission	<p>① The total production costs financing plan prepared by the foreign production company (KOFIC Form)</p> <p>② A copy of the investment agreement from the foreign production company and its notarized Korean translation</p> <p>③ A copy of the production service agreement between the applicant and the foreign production company, and its notarized Korean translation</p> <p>④ Pledge of Non-sexual offences record (KOFIC Form)</p> <p>⑤ Pledge of sexual offences prevention (KOFIC Form)</p>

- The applicant may not apply for an amount exceeding the amount estimated to spend in Korea stated in the production service agreement.
- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the applicant's eligibility, approve or disapprove the grant, and the grant amount.
- The Review Committee shall set the grant amount within the total program budget remaining on the evaluation date.
- KOFIC shall deliberate upon the evaluation results of the Review Committee and make the final decisions and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility and the amount, and its decision is not subject to appeal. However, provided that an application previously rejected has been edited to meet the requirements, may be resubmitted.

- In the event that the applicant selected for provisional support withdraws its application more than two times, the Review Committee may exclude such work from consideration.
- In the event that the applicant got the development and production support from KOFIC for the same work, the Review Committee shall exclude such work from consideration.
- If the applicant is in the period of sanction due to the violation of the rules and regulations of KOFIC or agreements with KOFIC, the Review Committee shall exclude such work from consideration.
- The applicant must be debt-free with respect to KOFIC before the provisional application is submitted.

C. Enter into an agreement & Register on a Integrated Management System for the Government Subsidy

- The applicant and KOFIC shall sign an agreement within 2 weeks after the results of the provisional application process are announced.
- Three (3) copies of the agreement shall be submitted, one of which shall be notarized at the applicant's expense.
- In interest of an efficient allocation of the program budget, if the principal photography in Korea does not commence within 3 months after entering into the agreement, KOFIC may cancel the agreement and the grant.
- The applicant must register the contents of the subsidy execution and settlement in 'Integrated Management System for the Government Subsidy' established by The Ministry of Strategy & Finance of Korea.

D. Interim Partial Pay-out

- If deemed necessary, the applicant may request a one-time partial settlement of the grant before the production is completed by submitting a few documents including a certificate of performance bond and an audited expenditure statement for the costs incurred thus far.

E. Final Application

- The applicant shall complete the production within 12 months after submitting the provisional application, and submit the final application and other supporting documents below within 3 month after the production is complete in Korea. Submission period can be extended upon the parties' mutual consent

Online sub-mission	① Final Application (KOFIC Form) <ul style="list-style-type: none"> - Synopsis - List of locations for the shoots, languages, director, all cast, all production staff and all technical equipment providers
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	<ul style="list-style-type: none"> ② Daily shooting report ③ Summary of total production costs, and detailed breakdown of total production costs spent in Korea (KOFIC-recommended form; fill out all major/minor categories) ④ The final script and its Korean translation
Offline sub-mission	<ul style="list-style-type: none"> ① The total production costs financing plan prepared by the foreign production company (KOFIC Form) ② The audited expenditure statement (on the KOFIC-recommended form) and the certificate of subsidy settlement report ③ The distribution / exhibition agreement or any certificate of such distribution / exhibition, and its notarized Korean translation ④ Bank records (one copy) of foreign currency transfers by foreign production company ⑤ DVDs containing the cuts shot in Korea ⑥ Confirmation of completion the class for sexual offences:sexual harassment prevention (KOFIC Form) ⑦ The condition report on Production staff wage ⑧ Statistical data on participant gender ratio (KOFIC Form)
<p>*Following documents must be resubmitted in the event of any changes to the original application:</p> <ul style="list-style-type: none"> - Applicant information and foreign production company information (KOFIC Form) - The applicant's and the foreign production company's business registration and corporate registry or its equivalent - The applicant's certificate of registration as a film producer, or a video producer, or an independent broadcasting producer - A production service agreement between the applicant and the foreign production company, and its notarized Korean translation 	

◦ **Distribution/exhibition agreement**

- In order to prove that the production is complete and therefore the work is ready for theatrical exhibition, television broadcasting or on-line streaming, the recipient must submit the work with the credits attached.
- In the event that the production is not completed, digital files or DVD must be submitted in the form of the edited version that is equivalent to the final version.
- In the event that the digital files or DVDs are not provided, KOFIC shall be allowed to attend the screening of the work.
- A distribution/exhibition agreement between the foreign production company and local distributors or a certificate thereof shall be submitted.

◦ **Audited Statement of Expenditure & Certificate of Subsidy Settlement Report**

- In accordance with the Article 27 of the Subsidy Management Act and the Article 12 of the Enforcement Decree of the Subsidy Management Act, the recipient must submit an audited statement of expenditure and the certificate of subsidy settlement report on all claimed QPEs and the auditors as is qualified by the Article 3 of the Act on External Audit of a Corporation must meet the following requirements :

- ▶ Shall not be the recipient's shareholder, investor, full-time officer, employee or employer
 - ▶ Shall not be subject to the restrictions under Article 33 of the Certified Public Accountant Act
 - The auditor shall certify on the expenditure statement that (1) he meets the aforesaid qualifications; and that (2) he has thoroughly fulfilled his auditing role by checking whether production expenses spent in Korea have been administered in accordance with the KOFIC Location Incentive 'Standard for Qualifying Production Expenditure' and the support documentation has been lawfully prepared. The auditor shall also state the total amount of the QPE, and shall attach the following documents as well as the audit report in accordance with the guideline for Verifying of the Subsidy Settlement Report and the detailed criteria of auditing the subsidy recipient, as it is stated in the guidelines for Managing the Operation of Governmental Subsidies(Ministry of Strategy and Finance, 2017 June 1):
 - ▶ Summary of production expenses spent in Korea (KOFIC-recommended form; fill out all major categories)
 - ▶ Detailed expense report of production expenses spent in Korea (KOFIC-recommended form; fill out minor categories)
 - ▶ Detailed expense report referred to the final application (KOFIC-recommended form; prepare in the order of major, intermediate, and minor categories; fill in the dates, recipients, amounts, and method of payment; and print out each major category separately).
- *All of the above must be submitted in soft copy (e.g. Microsoft Excel)

◦ Expense Report of the Total Production Costs

- The recipient must submit an expense report on the total production costs prepared by the foreign production company in order to prove that more than 80% of the total production costs were drawn from foreign capital.
- As to the production costs not yet disbursed by the date of the aforementioned report, the foreign production company must state the amounts and their uses in the report.

- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the eligibility and the final grant amount, taking into consideration of the "tourism expansion", "quantitative contribution", "foreign engagement", and fiscal feasibility.
- If the actual production proceeded differently from the plan set forth in the provisional application and the Review Committee does not find the changes reasonable, KOFIC may cancel the grant.
- KOFIC shall deliberate upon the evaluation results of the Review Committee

and make the final decision and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility, and its decision is not subject to appeal.

F. Grants Awarded

- KOFIC shall transfer the agreed amount to the applicant's bank account based on the QPE amounts.

G. Submission of Final Work

- The applicants must submit two(2) DVDs of final cut after the completion of film production and/or after the theatrical release.
- The applicants must submit distribution results including theaters, broadcasting, and online worldwide.

H. Convening of Review Committee

- KOFIC shall construct a Review Committee consisting of no more than 7 people (from or outside of KOFIC) who shall decide on the eligibility, whether to reward the grant, the feasibility of the budget and its actual administration, and the grant amounts.
- KOFIC shall accept only those provisional applications accompanied by sufficient support documents, and the Review Committee shall evaluate the applications in the order of acceptance.
- The Review Committee may make additional document requests to the applicant through KOFIC, and may suspend the evaluation until such request is fulfilled.

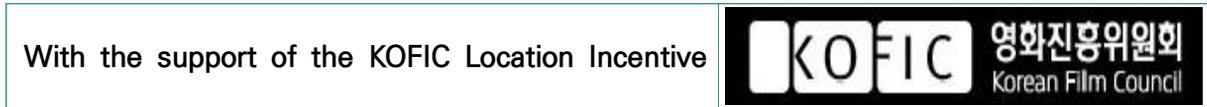
3. Miscellaneous

- In accordance with the Article 18 of the Subsidy Management Act and the guidelines for Managing the Operation of Governmental Subsidies, KOFIC is allowed to cancel all or part of the final decision if any of the following acts are found.
 - If the applicant filed a false application or received grants by unlawful means.
 - If the applicant used the grants for other purposes.
 - If the applicant violated the rules of ordinance, terms and conditions of subsidies presented by KOFIC.
 - If the preconditions of grant are not met after approval.
- KOFIC may review the status of implementation of the project in accordance with Article 25 of the Subsidy Management Act. In any event that the final audio-visual work differs from the work submitted with the final application,

that the application was made in deceit, or that the applicant has failed to perform the grant agreement, KOFIC may impose sanctions such as cancellation of support and request the reimbursement of the grant money already disbursed through a resolution of the council resolution, based on the Article 30, 31 and 31.2, 33, 33.2 and 33.3 of the Subsidy Management Act.

- KOFIC may exclude the applicant who fails to pay or follow the standard form of contract based on the Article 3.5 Paragraph 1 or violate the Article 3.4(the requirement noted the labor condition on contract) in accordance with Article 3.3 of the Promotion of the Motion Pictures and Video Products Act.
- Applicants must follow the standard wage guide in accordance with Article 3.3 of the Promotion of the Motion Pictures and Video Products Act.
- According to the recent increase in the minimum wage, applicants must reflect the compensation of employees.
 - Per hour ; Increase from KRW 8,350 in 2019 to KRW 8,590 in 2020
 - Monthly pay ; Increase KRW 1,745,150 in 2019 to KRW 1,795,310 in 2020
- KOFIC may ask the actual condition report based on Article 3.3 of the Promotion of the Motion Pictures and Video Products Act to prepare guideline for standard wage system. In this case, applicants must submit them.
- Applicants should submit the Pledge of Non-sexual offences record to assure that main participants including CEO and any producer and director have not been sentenced to a fine or more by sexual offences.
- Applicant must submit the statistical data on participant gender ratio required by Korean Film Council to create basic material for establishing film policy to committee in business result report.
- KOFIC may cancel the grant If main participants including CEO and any producer and director are found to have been convicted of a sexual offense or sentenced to a medical treatment and care, and are convicted of a sexual offense or sentenced to a medical treatment after the time of application.
- Applicants should submit the Pledge of sexual offences·sexual harassment prevention and Confirmation of completion the class for sexual offences·sexual harassment prevention. (KOFIC supports the expenses for the prevention class).
- All QPE must be disbursed from a separate, single bank account denoted in the provisional application.
- Any change in the ownership of the production shall be pre-approved in writing by KOFIC.

- The final credit must acknowledge KOFIC's assistance by including the following phrase in the relevant language with the KOFIC's logo:



- KOFIC may use the information submitted by the applicant for research and policy development purposes, and may use parts of the work for this program's publicity purposes.
- The work must be theatrically released or broadcast on television or screen on-line in overseas territories. In the event that a commercial DVD of the final work (including all the credits) is released, 2 copies must be submitted.
- KOFIC may change or update the program's rules, requisite documents, and time lines intermittently.
- Protection of Child and Youth's Human Rights
 - When a candidate of support project legally hires the person under 18, it shall provide separate cares to guarantee right to learn, right to rest, and safety right. The support project may be canceled when the candidate violates prohibited acts from Article 17 of Children Welfare Act (Damaging youth's psychological health and development, mandating circus which may harm youth's health or safety under the purpose of public entertainment or promotion).
- Health Right of Worker and Safety Supervision Duty
 - Candidate of support project shall not expose film-related workers to acts harmful or dangerous to health and shall provide sanitary and safe work environment. Candidate shall provide separate safety equipment if necessary and shall have duty to take immediate measures such as appropriate compensation in case of accidents that occurred at work.

4. Contacts

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